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January 15, 2010

VIA ELECTRONIC FILING

The Honorable Charles L.A. Terreni

Chief Clerk/Administrator

Public Service Commission of South Carolina

101 Executive Center Drive

Columbia, South Carolina 29210

RE: Annual Review of Base Rates for Fuel Costs of South Carolina Electric & Gas Company; Docket Nos. 2010-2-E

Dear Mr. Terreni:

In the 2009 Annual Review of Base Rates for Fuel Costs of South Carolina Electric & Gas Company, the parties of record entered into a Settlement Agreement ("Settlement Agreement") which was approved by the Commission in Order No. 2009-289, dated April 30, 2009. As part of the settlement of that matter, SCE&G agreed to "perform an analysis of the feasibility, costs and potential benefits of operating a financial hedging program for its coal supplies as set out in the Settlement Agreement, including provision of a final written report to the parties and the Commission by January 15, 2010."

The Settlement Agreement also specified that SCE&G would "receive and consider input from a Party regarding the design of the analysis and the factors to be included in the analysis for evaluation." This third-party input was to be received within sixty days of the Order approving the Settlement Agreement, or by June 29, 2009. SCE&G received no initial input from any party within the timeframe specified in the Settlement Agreement.

In fulfillment of its obligations pursuant to the Settlement Agreement and Order No. 2009-289, the Company thereafter conducted an analysis of the feasibility and prudence of implementing a financial hedging program for SCE&G's coal supplies used for electric generation. As required by the Settlement Agreement, SCE&G "provide[d] a copy of an interim report of this analysis to the Parties by September 15, 2009." The parties were afforded the opportunity to submit written comments on SCE&G's interim report through November 15,

2009. CMC Steel of South Carolina was the only party to provide any comments. SCE&G carefully considered CMC Steel's comments, and concluded that its proposed report reasonable and accurately addressed the issues that it had agreed to and been directed to analyze. SCE&G made minor adjustments to its report following the receipt of CMC Steel's comments and is now prepared to issue the report.

Therefore, in compliance with the Settlement Agreement and Commission Order No. 2009-289, enclosed for filing in Docket No. 2010-2-E¹ is a copy of SCE&G's Coal Hedging Analysis report. By copy of this letter, we are providing all parties of record to Docket No. 2009-2-E and 2010-2-E with a copy of the Coal Hedging Analysis report.

Thank you for your assistance and consideration of this matter. If you have any questions, please do not hesitate to call me at your convenience. With best regards, I am,

Respectfully,

WILLOUGHBY & HOEFER, P.A.

s/Benjamin P. Mustian

Benjamin P. Mustian

cc: Nanette S. Edwards, Esquire
Shannon B. Hudson, Esquire
Scott Elliott, Esquire
E. Wade Mullins, Esquire
Joey R. Floyd Esquire
Damon E. Xenopoulos, Esquire
K. Chad Burgess, Esquire (All Via Electronic Mail and U.S. Mail)

¹ In accordance with Section K of the Settlement Agreement, SCE&G will also submit a copy of the Coal Hedging Analysis Report with the Company's testimony in Docket No. 2010-2-E currently due to be filed on February 18, 2010.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-2-E

IN RE:)
Annual Review of Base Rates for Fuel)
Costs of South Carolina Electric and)
Gas Company.)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of the **Coal Hedging Analysis** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

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Clark Fancher

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January 15, 2010
Columbia, South Carolina